

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**  
FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:

0 1 — 0 1 8

2. STATE:

Arizona

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR  
HEALTH CARE FINANCING ADMINISTRATION  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

January 1, 2001

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN

☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN

☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

Section 1902(a)(13)(E) of the Act

7. FEDERAL BUDGET IMPACT:

a. FFY2001/2002 \$ 0

b. FFY2002/2003 \$ 0

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-B, pages 3 and 4

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):

Attachment 4.19-B, pages 3 and 4

10. SUBJECT OF AMENDMENT:

Explanation of payment methodology for FQHC/RHC

11. GOVERNOR'S REVIEW (Check One):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT

☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED

☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☒ OTHER, AS SPECIFIED:

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

Lynn Dunton

14. TITLE:

Assistant Director

15. DATE SUBMITTED:

12/27/01

16. RETURN TO:

AHCCCS

Mail Drop 4200

801 East Jefferson

Phoenix, AZ 85034

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:

January 2, 2002

18. DATE APPROVED:

March 28, 2002

**PLAN APPROVED - ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL:

January 1, 2001

20. SIGNATURE OF REGIONAL OFFICIAL:

*[Signature]*

21. TYPED NAME:

Linda Minamoto

22. TITLE: Associate Regional Administrator  
Division of Medicaid

23. REMARKS:

State: ARIZONA

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES  
OTHER TYPES OF CARE

● **Federally Qualified Health Centers (FQHCs)/Rural Health Clinics (RHCs)**

AHCCCS will utilize the following payment methodology from January 1, 2001, forward.

- 1) AHCCCS will establish a baseline Prospective Payment System effective January 1, 2001. The calculation will conform to section 1902(a)(15)(c) of the Social Security Act. AHCCCS will use the center/clinic's fiscal year that ends during calendar year 1999 and 2000 for the base rate calculations. On a prospective basis, the Medicare Economic Index (MEI) at the beginning of each federal fiscal year (October 1st) will update rates. The baseline rates for 1999 and 2000 will be calculated based on the provider's cost data for the center/clinic's fiscal year that end during calendar year 1999 or 2000. Costs included in the base rate calculation will include all Medicaid covered services provided by the center/clinic. The calculated 1999 and 2000 base rates will be averaged by calculating a simple average of the costs per encounter for 1999 and 2000. The calculation is as follows:

$$\frac{\text{Total Medicaid costs 1999} + \text{Total Medicaid costs 2000}}{\text{Total visits 1999} + \text{Total visits 2000}} = \text{Average Cost Per Visit}$$

These base rates will then be indexed forward utilizing the MEI from the midpoint of the cost report period being utilized, to the midpoint of the initial rate period (January 1, 2001 through September 30, 2001). Annually thereafter, the MEI will be applied to the inflated-based rates at the beginning of the federal fiscal year (October 1st). AHCCCS and the FQHCs/RHCs have agreed to supplement payments to the FQHCs/RHCs payments once the PPS baseline is established, if necessary.

- 2) For a center/clinic that becomes a FQHC or RHC after FY 2000, AHCCCS will calculate the initial rate using data from an established FQHC or RHC in the same or adjacent area with a similar caseload. Absent an existing FQHC or RHC with a similar caseload, the center/clinic rate will be based on projected costs subject to tests of reasonableness. Costs would be subjected to reasonable cost definitions as outlined in Section 1833(a)(3) of the Act. If a center/clinic has inadequate cost data for one of the base periods, that center/clinic's rate will be established from the data that is available. If an existing center/clinic has inadequate data for both periods, they will be treated as a new center/clinic.
- 3) If there is a change in scope of service, it will be the responsibility of the FQHC/RHC's to request AHCCCS to review services that have had a change to the scope of service. Adjustments will be made to the base rates on a case basis where the FQHC/RHC's can demonstrate that the increases or decreases in the scope of services is not reflected in the base rate and is not temporary in nature. If an FQHC/RHC requests a change in scope due to an increase in utilization for services included in the PPS, current utilization will be compared to the utilization used in the calculation of the PPS from appropriate rate adjustments. If it is determined that a significant change in the scope of service has occurred, the reasonable incremental cost per encounter from this change will be added to the PPS rate and a new rate will be established. A change will not be considered significant unless it impacts the base rate by 5% or more. This new rate will be effective on the date the change in scope of service was implemented.

TN No. 01-018

Supersedes

TN No. 01-002

Approval Date \_\_\_\_\_

MAR 28 2002

Effective Date January 1, 2001

State: ARIZONA

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES  
OTHER TYPES OF CARE

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- 4) FQHCs/RHCs that provide services under a contract with a Medicaid managed care entity (MCE) will receive quarterly state supplemental payments for the cost of furnishing such services, that are an estimate of the difference between the payments the FQHC/RHC receives from MCEs and the payments the FQHC/RHC would have received under the BIPA PPS methodology. At the end of federal fiscal year, the total amount of supplemental and MCE payments received by each FQHC/RHC will be reviewed against the amount that the actual number of visits provided under the FQHC's/RHC's contract with MCEs would have yielded under the PPS. The FQHC/RHC will be paid the difference between the PPS amount calculated using the actual number of visits, and the total amount of supplemental and MCE payments received by the FQHC/RHC, if the PPS amount exceeds the total amount of supplemental and MCE payments. The FQHC/RHC will refund the difference between the PPS amount calculated using the actual number of visits, and the total amount of supplemental and MCE payments received by the FQHC/RHC, if the PPS amount is less than the total amount of supplemental and MCE payments.

- ☐ The payment methodology for FQHCs/RHCs will conform to section 702 of the BIPA 2000 legislation.
- ☒ The payment methodology for FQHCs/RHCs will conform to the BIPA 2000 requirements for a Prospective Payment System.
- ☐ The payment methodology for FQHCs/RHCs will conform to the BIPA 2000 requirements for an alternative payment methodology.

TN No. 01-018

Supersedes

TN No. 01-002

Approval Date

MAR 28 2002Effective Date January 1, 2001



Jane Doo Hull  
Governor

Phyllis Biedess  
Director

**ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM**  
*Committed to Excellence in Health Care*

December 27, 2001

Linda Minamoto  
Associate Regional Administrator  
Division of Medicaid  
Health Care Financing Administration  
75 Hawthorne Street, 5th Floor  
San Francisco, California 94105


JAN 7 12 15 PM '02  
FHS HCFA  
DIVISION OF MEDICAID  
REGION IX

Dear Ms. Minamoto:

Enclosed is State Plan Amendment (SPA) 01-018 which amends pages 3 and 4 of Attachment 4.19-B. The changes are in response to questions raised in the November 14, 2001 SPA approval letter for SPA 01-002 regarding the payment methodology that AHCCCS will use for FQHCs/RHCs from January 1, 2001 forward.

For your reference, I am also enclosing a copy of the SPA with the changes highlighted. If you have any questions about the enclosed SPA, please contact me at (602) 417-4447. Thank you.

Sincerely,

  
Lynn Dunton  
Assistant Director  
Office of Policy Analysis and Coordination

c: Ron Reepen

Enclosure

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DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services  
San Francisco Regional Office  
75 Hawthorne St., Suite 408  
San Francisco, CA 94105

MAR 28 2002

Phyllis Biedess, Director  
Arizona Health Care Cost Containment System  
801 E. Jefferson  
Phoenix, AZ 85034

Dear Ms. Biedess:

Enclosed is an approved copy of Arizona State plan amendment (SPA) 01-018, regarding the State's prospective payment system for reimbursing Federally Qualified Health Centers and Rural Health Clinics. I am approving this SPA with the request effective date of January 1, 2002.

If you have any questions, please have your staff contact Ronal Reepen at (415) 744-3601.

Sincerely,

A handwritten signature in black ink, appearing to read "Linda Minamoto", is written over a horizontal line.

Linda Minamoto  
Associate Regional Administrator  
Division of Medicaid

Enclosure

cc: Joan Peterson, CMS,CMSO,FCHPG  
Elliot Weisman, CMS,CMSO,PCPG